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New Commission must commit to active policy initiatives to stem laissez faire attitude in Europe's telecom sector

'Light touch' is hampering Innovation and growth in EU economy

Research released today by the European Competitive Telecoms Association (ECTA) reveals that the laissez faire approach to telecoms is hampering competitiveness and investment in the EU.

Releasing the latest six-monthly data which shows broadband take-up slowing and no further progress towards competition across the EU27, ECTA called for the incoming Commission to set a vision for innovation and growth across the ICT sector and to crack down on protectionist Governments.

ECTA's recommendations are supported by the conclusions of a new research note from consultants SPC Network which highlights a strong link between effective economic regulation and investment levels in the telecoms sector. SPC concludes that firms are looking for economies open to effective competition, where they will not encounter barriers to entry as a result of poorly applied regulation that allows dominant operators to behave strategically.

"Europe has been asleep at the wheel for the last two years when it comes to competitiveness in crucial broadband services," commented ECTA Chairman Innocenzo Genna. "We can no longer afford to be in the slow lane of the digital economy. President Barroso needs to make the digital agenda a priority for Europe and appoint a Commissioner with the drive and vision to kick-start the market and resist pressure from Governments seeking to protect inefficient dominant firms."

Statistics reveal wide disparity of broadband access across Europe with Nordics and the Netherlands boasting more than 30% take-up while Greece, Poland Slovakia, Romania and Bulgaria lag with less than 15%. Particularly worrying is the fact that broadband take-up has slowed even amongst those countries at the bottom of the table – suggesting the emergence of an ongoing gap.

Figures reveal that incumbents' market share of broadband services has increased to 45.5% on average across Europe. The strengthening of dominant players is particularly marked in countries which have pursued active 'deregulatory' broadband policies such as Austria and Malta, whilst the market position of incumbents in some of Europe's major economies such as France also increased. Despite well publicised 'regulatory holidays' for incumbents in countries such as Germany and Spain, the survey showed little evidence of increased fibre deployment in those countries. Sweden remained Europe's fibre leader with 7.5% of the population benefiting from high speed modern access lines compared with an average of just 0.4% across the EU.

"Yesterday's world was about telephone services and lines, but tomorrow's world is about choice and innovation – in all kinds of communications services, entertainment, content and applications. We need clear rules which promote future-proof infrastructure across Europe which is open to competition so that consumers and businesses can access new high speed services from a wide variety of providers," concluded Innocenzo Genna.

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Key facts from the ECTA Broadband Scorecard Q1 2009

How is Europe doing on broadband take-up? 23.5% of Europe's population had broadband access as of April 2009. This represents 116m lines and is an increase of 5% over the previous 6 months, and 14% over the year since April 2008 when 20.5% of the population benefited from broadband access. Figures from the OECD show that in January 2009 broadband take-up was 26% in the US and 24% in Japan.

Which are the strongest and weakest performers? Europe's 'average' broadband take-up rate masks large differences between countries. Nordic countries and the Netherlands have amongst the highest rates of broadband usage in the world with 37% take-up in Denmark and the Netherlands. However, amongst Europe's 'big 5' economies penetration rates in Spain (21%) and Italy (20.3%) were below the EU average. The lowest rates in Europe were found in Poland (10.5%), Romania and Bulgaria (11%) and Slovakia (12%).

How many fibre lines have been installed? 0.4% of the EU population now have access via high speed fibre lines – this represents 1.6% of all broadband lines. However, there are wide divergences within EU member states. Sweden has the highest fibre penetration at more than 7%, whilst Estonia and Lithuania have a fibre penetration of 5%, albeit from a low base of broadband customers. To date there has been limited or no residential fibre deployment in the major EU economies of Germany, Spain and the UK, whilst in Italy fibre deployment has been driven by alternative operators. Fibre penetration in Japan has reached 11%, whilst in the US it is estimated at 1%.

What is the state of competition in the market? The average market share of incumbents in Europe increased slightly to 45.5% from 45% six months earlier. Incumbent shares remain above 50% (an indicator of market dominance) in 12 countries with incumbents in Italy and Spain (57%) retaining amongst the strongest national positions in Europe. Large increases in market share (of 7 percent or more) have occurred over the last 2 years in Denmark, Estonia, Hungary, Malta and Austria.

What is the role of regulation in the sector? Most competition in the sector is the result of regulated access to the 'local loop' – the last mile of the network connecting the customer to the local exchange. As of April 2009 of the lines not provided by incumbent firms, 65% were supplied through regulated access and 35% through direct connections (most often cable). Incumbents share of the market taking into account both retail and wholesale access remained at 80% of all lines across the EU, with a share of more than 90% in France, Germany and Italy. .

The full BB data set is available at <http://www.ectaportal.com/en/basic650.html>

Key facts from the SPC Network Investment note 2007

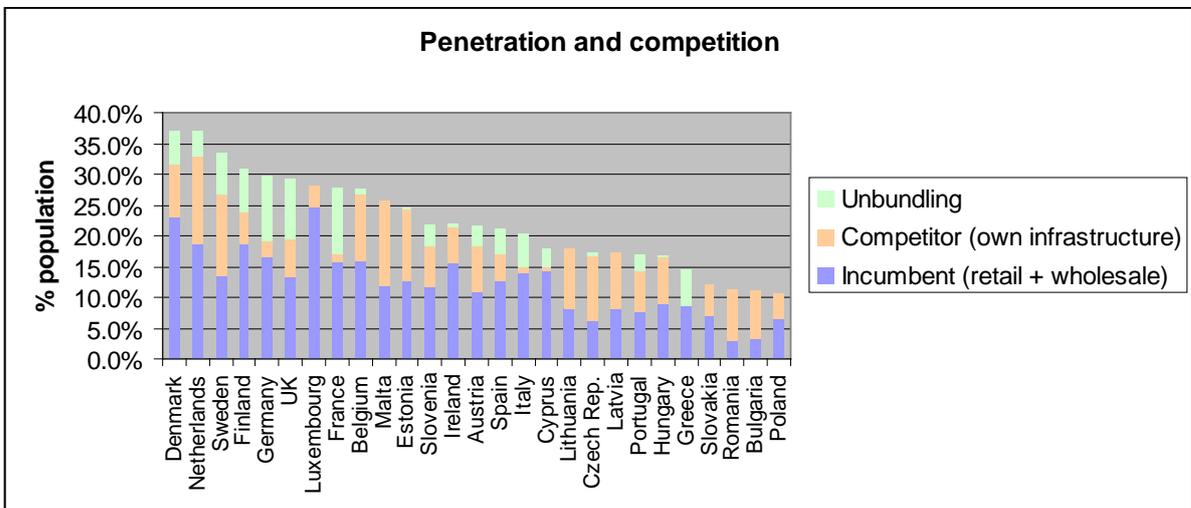
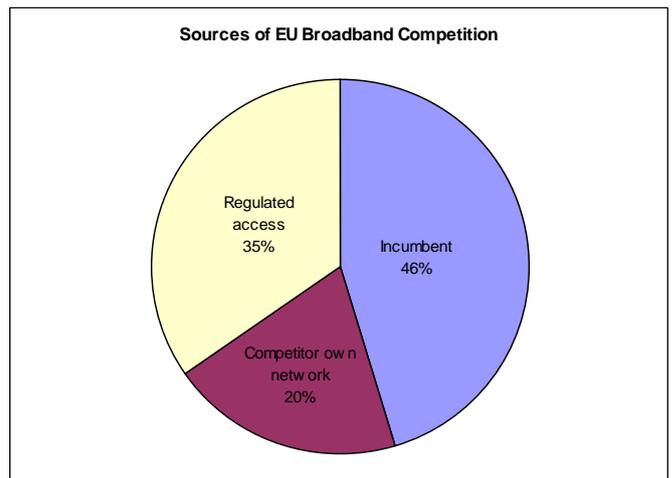
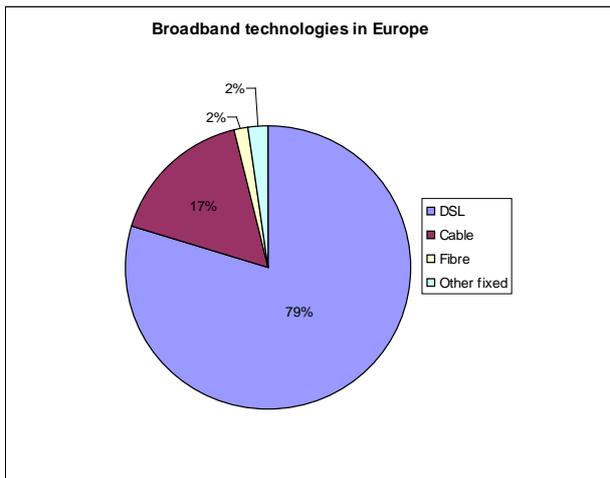
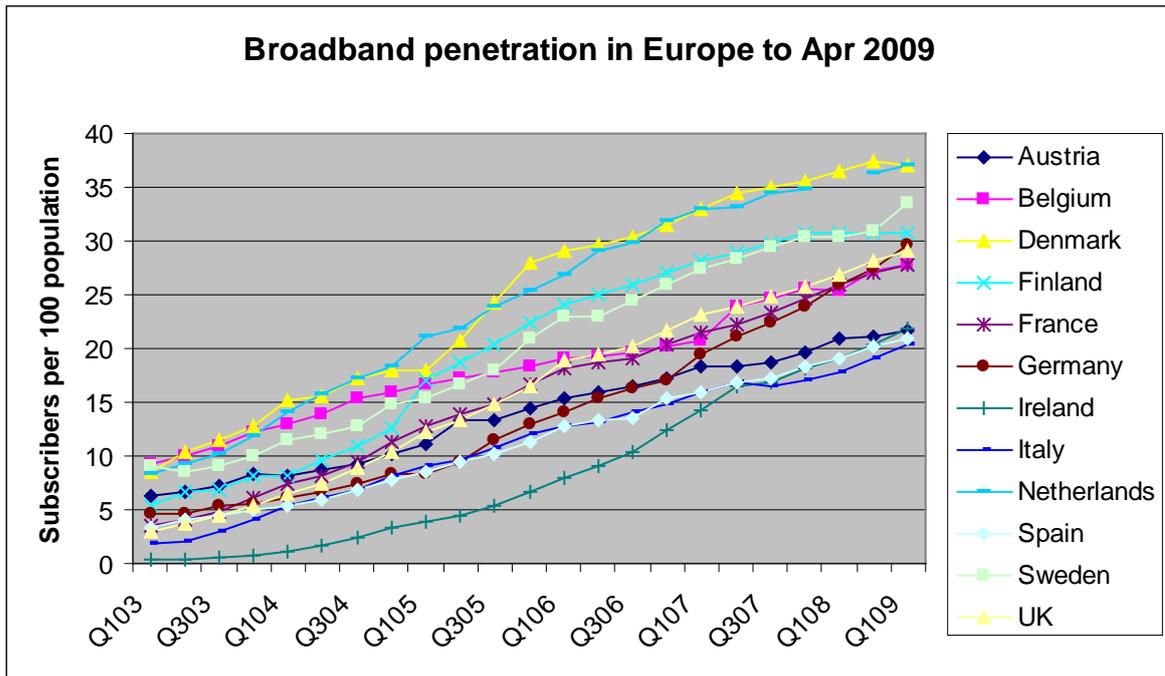
How much investment has been made in the telecoms sector? Figures from the OECD for 2007 suggest widespread variations in investment levels in communications across Europe ranging from more than US\$250 per capita in Denmark and Ireland to less than US\$85 per capita in Poland, Hungary and the Czech Republic.

What affects investment in the sector? SPC has found in analyses carried out over several years that telecoms investment is influenced by both current GDP levels and the standard of regulation (as measured by the ECTA regulatory scorecard).

How would improving regulation affect investment in the sector? SPC's results show that a 10% improvement in the regulatory environment to open markets and promote competition would result in between 3% and 6% increase in communications investment.

The full research note is available at http://www.spcnetwork.co.uk/cgi-bin/publisher/search.cgi?dir=news&template=news.html&output_number=1&ID_option=1&ID=1058-9109-16843

ECTA Broadband Scorecard in figures



Europe's broadband leaders benefit from competition through both cable and regulated unbundling

About ECTA

The European Competitive Telecommunications Association (ECTA) looks after the regulatory and commercial interests of new entrant telecoms operators, ISPs and suppliers of products and services to the communications industry. ECTA works for a fair regulatory environment that allows all electronic communications providers to compete on level terms in order to multiply investment and innovation throughout an effective European internal market. The association represents the telecommunications industry to key government and regulatory bodies and maintains a forum for networking and business development. ECTA member companies include operators, service providers and suppliers as well as National Associations of such which all contribute towards regulatory policy development and participate in our comprehensive range of networking events, conferences, seminars, briefings and executive meetings. www.ectaportal.com